Global economic crisis in India

1600. SHRIMATI SUPRIYA SULE: Will the PRIME MINISTER be pleased to state:

(a) whether Government has decided to set up a High Powered Committee to ensure that the impact of the global crisis on India is minimized and dispel concerns about the domestic slow down due to liquidity crunch;

(b) if so, whether this Committee is being headed by the Prime Minister himself;

(c) if so, what are the main steps, the Committee has so far suggested and whether any concrete measures have been decided upon; and

(d) if so, the details thereof and whether the setting up of this Committee has been helpful?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Government has constituted an Apex group to be headed by the Prime Minister with Finance Minister, Industry and Commerce Minister, Deputy Chairman, Planning Commission and the Governor, Reserve Bank of India (RBI) as the members. The Group will meet regularly to coordinate / decide the response of the Government to the points raised by industry from time to time with regard to the current global financial crisis and its impact on India.

(c) and (d) In response to the evolving global and domestic developments, Government and RBI have taken a number of measures since mid-September 2008 to augment domestic and forex liquidity and to enable banks to continue to lend for productive purposes while maintaining credit quality so as to sustain the growth momentum. Government and RBI have issued a series of Press Releases indicating the measures taken by them, which are available at websites of Government of India *(www.pib.nic.in)* and RBI *(www.rbi.org.in).*

Effects of global financial crisis

1601. SHRI GIREESH KUMAR SANGHI: Will the PRIME MINISTER be pleased to state:

(a) whether India is hit by ripple effects of global financial crisis;

(b) whether Government has confirmed more government borrowings and whether recession fears prompted Government to get into action and a slew of measures are on cards to ease economic aftershocks;

(c) if so, whether the Ministry has agreed that there will be a policy rates review if inflation continues to moderate;

(d) if so, what are the concrete steps and measures taken by Government to meet financial crisis; and

(e) to what extent they have affected India?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The impact of the global financial crisis which commenced around middle of September 2008 is limited to the extent the Indian economy is interconnected with the global economy. These relate to trade and FII flows. There has also been a reduction in commodity and petroleum prices that have contributed to a fall in the rate of inflation.

(b) The Government of India on December 5, 2008 announced the issue of marketable dated securities for an amount of Rs.45,000 crores during the remaining period of the current fiscal year to raise additional resources. As there are no fears of Recession in the Indian Economy.

(c) The easing of inflation has facilitated the downward revision of policy rates by the Reserve Bank of India which is given in the table below :

Sl.No.	Date	Revision in Policy Rates			
		Repo Rate	Reverse Repo Rate	CRR	SLR
1.	As on August 30, 2008	9.0	6.0	9.0	25.0
2	October 11, 2008	9.0	6.0	**6.5**	25.0
3.	October 20, 2008	**8.0**	6.0	6.5	25.0
4.	October 25, 2008	8.0	6.0	6.0	25.0
5.	November 3, 2008	**7.5**	6.0	6.0	25.0
6.	November 8, 2008	7.5	6.0	**5.5**	**24.0**
7.	December 6, 2008	**6.5**	**5.0**	5.5	24.0

Note:

Figures in bold indicate the change effected by RBI

CRR: Cash Reserve Ratio

SLR: Statutory Liquidity Ratio

(d) and (e) In addition to the above, steps to increase inflows of foreign currency through enhancement of ECB limits, raising the ceilings rates of FCNR(B) and NR(E)RA accounts were announced; the Government announced a fiscal stimulus package comprising of steps to cut costs by a reduction in CENVAT by 4 per cent for all items excluding petroleum products and by scrapping of select import and export duties; to enhance demand by enhancing Government expenditure as a contra-cyclical measure, measure to support for exporters, package for medium, small and micro enterprises, additional allocation for textiles, special interest rates for middle and low income housing. The improvement in liquidity in the money market has already been noticed.

Measures to deal the global financial crisis

1602. PROF. ALKA BALRAM KSHATRIYA: Will the PRIME MINISTER be pleased to state:

(a) whether he has expressed more steps to deal with the global financial crisis to stabilize the economy;

(b) if so, the details thereof;

(c) whether the financial crisis has affected adversely the private sector companies and industries; and

(d) if so, how Government is going to help the private sector to face the challenges of economic crisis?